

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Minutes of the Board of Trustees

Wednesday, January 25, 2006

TRUSTEES PRESENT

Mr. John Radcliffe, Chairperson

Mr. Gerald Machida, Vice-Chairperson (arrived 9:02 am)

Ms. Katherine Thomason, Secretary-Treasurer

Ms. Elizabeth Ho

Mr. George Kahooahanohano

Ms. Marie Laderta

Mr. Mark Recktenwald

Mr. Stanley Shiraki (arrived 9:04 am)

Mr. Guy Tajiri

TRUSTEES ABSENT

Mr. Nelson Befitel

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

Mr. James Williams, Administrator

Mr. Lawrence Nishihara

Ms. Maria Quartero

Ms. Kathleen Shiroma

Mr. John Garner, Consultant

Ms. Rebecca Delfino, Consultant

Ms. Donna Tonaki

OTHERS PRESENT

Ms. Lynette Arakawa, HDS

Ms. Sandra Benevides, Kaiser Permanente

Ms. Alana Deppe-Mariota, Kaiser Permanente

Ms. Monica Engle, VSP

Ms. Venus Gabuyo, MBAH

Ms. Beverly Gotelli, HSTA

Mr. Rick Jackson, MDX Hawaii

Mr. Eleu Kane, Summerlin

Ms. Ruth Kim, HSTA-R

Ms. Wanda Kimura, B&F

Ms. Doreen Kuroda, DHRD

Mr. Paul Matsuo, HGEA-Retiree

Mr. Maurice Morita, HSTA

Mr. Michael Moss, HMSA

Ms. Gertrude Nitta, Retiree

Ms. Susan Pestana, HSTA-MBC

Mr. Joel Reed, Aetna

Mr. Rod Shinno, HSTA-MBC

Mr. Roger Takabayashi, HSTA

Mr. Rod Tam, HMSA

Mr. George Yamamoto, HGEA- Retiree

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:00 a.m. by Trustee John Radcliffe, Chairperson, in Conference Room 1935, City Financial Tower, 201 Merchant Street, Honolulu, Hawaii, on Wednesday, January 25, 2006.

Chair Radcliffe introduced and welcomed new Trustees Elizabeth Ho and Guy Tajiri.

II. APPROVAL OF MINUTES

The Board reviewed the draft minutes for June 16, 2003 and November 30, 2005.

There being no objections by the Trustees, the minutes for June 16, 2003 and November 30, 2005 were approved as circulated.

III. COMMITTEE REPORTS

A. Administrative Committee

Overview by Trustee Recktenwald regarding the proposed amendments to the Administrative Rules. The Administrative Committee recommended that the Board approve proposed amendments to the Administrative Rules. Mr. Williams stated two corrections were made: (1) correction to Replacement Page 4, second paragraph, line 4, change "Information" to "Insurance", and (2) Rule 4.11, delete "(a)" before first paragraph. Mr. Williams summarized the proposed changes to Administrative Rules 1.02, 1.03, 3.01(a), 3.01(b)(4), 3.01(b) last paragraph, 4.11, 4.12(c), 4.14(b), 5.01(a), 5.01(d) last paragraph, 5.01(g) 5.03 title, 5.03(a), 5.05(a), 5.05(b) last paragraph, 5.05(c), and 5.06(b). Mr. Williams stated that the first sentence of the justification for Rule 5.06(b) be deleted. Mr. Aburano stated that in the first line of the definition of "child" that a comma should be added after the word "applicable" and that the semi-colon after the word "partner's" should be deleted.

MOTION was made upon the recommendation of the Administrative Committee for the Board to approve the proposed amendments to the Administrative Rules for the purpose of sending them to the employers and employee organizations for consultation. The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

B. Investigative Committee on Investments

Overview by Trustee Shiraki regarding Investigative Committee meeting on investments held on January 17, 2006. The EUTF has 40 million in the reserve fund currently held in the State Treasury earning 3.2% a year. The Committee agreed that the EUTF could earn more than 3.2%. A meeting is scheduled tomorrow (January 26, 2006) with the ERS Administrator and Investment Officer at 9 a.m. in the B&F conference room.

IV. OTHER REPORTS

A. Administrator

1. December/January Update (see written report)

a. PeopleSoft Support

Overview by Ms. Shiroma regarding the contract for PeopleSoft support (see Administrator's report).

b. Alternatives to the PeopleSoft System

Overview by Ms. Shiroma regarding alternatives to the PeopleSoft system (see Administrator's report).

c. Premium Holiday

Overview by Ms. Tonaki regarding the premium holiday (see Administrator's report).

- d. Implementation of HSTA VEBA
Overview by Mr. Williams regarding the implementation of HSTA VEBA (see Administrator's report).
- e. EUTF Facilities – Leasing & Renovation of Additional Space
Overview by Mr. Lawrence Nishihara regarding the EUTF facilities (see Administrator's report).
- f. Retirees Not Enrolled in Medicare Part B
Overview by Mr. Williams regarding retirees not enrolled in Medicare Part B (see Administrator's report).

MOTION was made to authorize the Administrator to inform affected retirees that unless they enroll in Medicare Part B by June 30, 2006, they will be terminated from coverage under EUTF in accordance with the law and EUTF rules. (Kahoohanohano/Shiraki) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

In response to a question, Mr. Williams clarified the dates when retirees must be enrolled with the HSTA VEBA.

B. DEPUTY ATTORNEY GENERAL

1. O'Gorek Lawsuit

Mr. Aburano reported that the EUTF was dismissed with prejudice from the O'Gorek lawsuit. There is a slight possibility that if some new facts come up that are not known now; the plaintiff may make a motion to reconsider the dismissal.

2. Auditor's Report

Mr. Aburano reported that a question was raised by the Auditor at the last Board meeting as to the proper treatment of certain funds that were transferred from the PEHF to the EUTF. These were primarily rate credits and reimbursements from the PEHF's insurance carriers, i.e., premiums that were not used or not necessary to pay claims and were returned to the PEHF. More specifically, the funds in question were amounts related to the employers' contribution as opposed to the employees' contributions. The question raised by the Auditor is whether these funds should be treated on the EUTF's book as a liability owed to the employers or whether they should be recorded as EUTF assets. The Attorney General's advice is that these funds can be treated as EUTF assets. The advice is based on the following: (1) the terms of Act 88 which created the EUTF and terminated the PEHF; and (2) the legislative history behind that Act.

C. BENEFITS CONSULTANT

January Report

1. Long-Term Care Insurance
Overview by Mr. Garner regarding long-term care insurance (see Consultant's report).
2. 2006-2007 Rates
Overview by Mr. Garner regarding the correction for Royal State rates (see Consultant's report).

MOTION was made for the Board to approve the correct rates for Royal State (\$40 for self-only coverage and \$125 for family coverage). (Shiraki/Kahoohanohano) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

Overview by Mr. Garner regarding the correction for HMSA rates (see Consultant's report).

3. Kaiser Senior Advantage Benefits – Self Funding of Selected Benefits
Overview by Mr. Garner regarding the Kaiser Senior Advantage benefits (see Consultants report). Mr. Garner stated that as of yesterday Kaiser said 37 prescriptions were filled. Kaiser knew of CMS decision way ahead of time and did not inform Board. Mr. Garner recommended that the Board take no further action.
4. Briefing with B&F re: High Deductible Health Plans and Health Savings Accounts
Overview by Mr. Garner regarding briefing with B&F on HDHP and HSA (see Consultant's report)
5. Administrative Fee Allocations
Overview by Mr. Garner regarding Administrative Fee Allocations (see charts). Mr. Garner recommends changes. Discussion held by Trustees, staff, and consultant regarding budgeted amounts.

MOTION was made for the Board to approve the Administrative Fees for FY 07 as presented by the consultant - the "Alternative 2007 Administrative Cost Allocation" version - modified to include an additional .26 cents per month for retirees enrolled in HMSA Medicare plan to cover administrative costs related to the Medicare Part D subsidy, and to authorize the EUTF staff to make adjustments to the allocation amounts as needed to round the amounts to an even number for payroll deduction purposes. (Thomason/Laderta) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

Recessed at 9:54 a.m. and Reconvened at 10:00 a.m.

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6. Annual Report

Overview by Ms. Delfino regarding the annual report. Discussion held by Trustees and consultant regarding the annual report. Trustees will contact Garner Consulting if they have any suggestions or questions. Garner Consulting will provide copies of the final annual report to the Legislature.

7. Privacy

Mr. Garner reported that HIPAA and Trustees training needs to be scheduled for Trustees only.

8. Garner Consulting Bulletins

Overview by Mr. Garner regarding November, December, and January bulletins (see bulletins) Mr. Garner stated that technically, B&F has the responsibility to submit the notice to CMS described in the January bulletin, but under the terms of the MOU, EUTF may actually need to do so. Garner will work with EUTF staff to file the notice with CMS.

D. Financial Report as of November 30, 2005

Overview by Ms. Tonaki regarding the financial report as of November 30, 2005 (see written reports). Discussion held by Trustees and staff regarding the reporting of interest amounts. In the future, amounts budgeted for interest will be displayed on the report.

E. Carrier's Reports

1. HDS

Written report submitted. Overview by Ms. Arakawa regarding the HDS Newsletter.

2. HMSA

Written report submitted.

3. Kaiser Permanente

Written report submitted. Ms. Benevides reported that ID cards were issued to Senior Advantage members.

4. MBAH

No report submitted.

5. Royal State Insurance

Written report submitted.

6. VSP

Written report submitted. Ms. Engle stated that a press release was attached to VSP's written report announcing the appointment of their new President & CEO, Rob Lynch.

V. UNFINISHED BUSINESS

A. Administrative Rules 4.10(c) and 5.01(h)

Mr. Williams reported that the Board approved the proposed amendments to Administrative Rules 4.10 (c) and 5.01(h) subject to consultation. A number of responses were received thanking the EUTF for allowing them to comment on the proposed amendments. As a result of comments received Rule 5.01(h) has been revised for final approval

MOTION was made for the Board to approve the proposed amendments to Administrative Rules 4.10(c) and 5.01(h) and authorize the Administrator to submit to the Governor for approval and filing. (Recktenwald/Machida) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

VI. NEW BUSINESS

A. Committee Appointments

MOTION was made for the Board to appoint Trustee Tajiri to the Administrative Committee and Trustee Ho to the Benefits Committee through June 30, 2006. (Recktenwald/Thomason) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

B. Administrative Rules

This item was acted upon under the Administrative Committee's report.

C. 2006-2007 Rates for Royal State

This item was acted upon under the Consultant's report.

D. Administrative Fees Allocations

This item was acted upon under the Consultant's report.

E. Claims Audit RFP

Overview by Mr. Williams regarding the claims audit RFP (see written report).

MOTION was made for the Board to authorize the Administrator to draft a RFP for a claims audit for medical and prescription drug plans to be presented to the Board. (Thomason/Recktenwald) After discussion by the Trustees, the motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

F. 2006 Open Enrollment

Overview by Mr. Nishihara regarding the 2006 Open Enrollment.

MOTION was made for the Board to approve the open enrollment period of April 17, 2006 – May 19, 2006 and the schedule of meetings recommended by the Administrator. (Kahoochanohano/Recktenwald) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

G. Insurance Broker RFP

Overview by Mr. Williams regarding the insurance broker RFP (see written report). Mr. Williams stated that there is no dissatisfaction with Marsh but periodically it is appropriate to get proposals from other brokers.

MOTION was made for the Board to authorize the Administrator to draft a RFP for an insurance broker. (Thomason/Recktenwald) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

H. IFEBP Trustees and Administrators Institutes

Mr. Williams recommended that the Board authorize Trustees to attend a new trustees institute and the Administrator to attend an administrator's institute during 2006.

MOTION was made for the Board to authorize Trustees to attend a new trustees institute and the Administrator to attend an administrator's institute during 2006. (Kahooohanohano/Thomason) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

I. SHOPO Request

A letter was received from Russell Akana of SHOPO requesting the use of data.

MOTION was made for the Board to approve the SHOPO request, subject to the same conditions as the previous requests from HGEA. (Shiraki/Kahooohanohano) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

J. Retirees Not Enrolled in Medicare Part B

This item was acted upon under the Administrator's report.

K. Kaiser Senior Advantage Benefits – Self Funding of Selected Benefits

This item was addressed under the Consultant's report.

VII. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES

Mr. George Yamamoto commented that the retirees are concerned with rising costs and have introduced a bill to keep all retirees in the EUTF plan, rather than move them to the VEBA plans.

VIII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

Benefits Committee meeting is scheduled for Wednesday, February 22, 2006, 9:00 a.m. - 9:15 a.m., CFT-room 1935 to appoint a new chairperson.

Board meeting is scheduled for Wednesday, February 22, 2006, 9:15 a.m., CFT-room 1935.

HIPAA training for Trustees only will be scheduled on Wednesday, February 22, 2006, prior to the Board meeting.

Trustees training for Trustees only will be scheduled after the Board meeting, Wednesday, February 22, 2006, EUTF conference room.

IX. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 11:12 a.m. for the reasons stated on the agenda. (Kahooohanohano/Laderta) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

MOTION was made to move out of Executive Session at 11:13 a.m. (Recktenwald/Laderta) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

The chair reported that the Board has taken the following action in Executive Session:

1. Approval of November 30, 2005 Executive Session minutes as circulated.

X. ADJOURNMENT

MOTION was made to adjourn the regular meeting. (Recktenwald/Laderta) The motion passed unanimously. (Employer Trustees-4/Employee-Beneficiary Trustees-5)

The meeting was adjourned at 11:15 a.m.

Respectfully submitted,

/s/

Katherine Thomason, Secretary-Treasurer

APPROVED on February 22, 2006.

Documents Distributed:

1. Draft Minutes for June 16, 2003. (5 pages)
2. Draft Minutes for November 30, 2005. (14 pages)
3. EUTF Draft Administrative Rules dated 1/19/06. (49 pages)
4. Replacement Page (page 4) dated 1/24/06. (1 page)
5. Replacement Page (page 8) dated 1/24/06. (1 page)
6. Revised Replacement Page (page 4) dated 1/24/06. (1 page)

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7. Memorandum to BOT from Administrator regarding December/January Administrator Report dated 1/18/06. (2 pages)
8. Letter to BOT from Garner Consulting regarding January Benefit Consultant Report dated 1/18/06. (2 pages)
9. HEUHBTF 2007 Administrative Cost Allocation dated 1/17/06. (1 page)
10. EUTF Alternative 2007 Administrative Cost Allocation dated 1/17/06. (1 page)
11. Garner Consulting November 2005 Bulletin. (2 pages)
12. Garner Consulting December 2005 Bulletin. (2 pages)
13. Garner Consulting January 2006 Bulletin. (2 pages)
14. EUTF Statement of Net Assets (Unaudited) dated 1/13/06. (1 page)
15. EUTF Combined Statement of Revenues and Expenses-Budget & Actual Comparison 5 Months Ended 11/30/05 (Unaudited) dated 1/10/06. (1 page)
16. EUTF Statement of Cash Flows Month ended 11/30/05 dated 1/06/06. (1 page)
17. Revised 1/24/06, Amendments to Administrative Rules 4.10 (c) and 5.01(h). (6 pages)
18. Letter from DOE regarding Proposed Amendments to Administrative Rules dated 1/9/06. (1 page)
19. Letter from HFFA regarding Proposed Amendments to Administrative Rules dated 1/11/06. (1 page)
20. Letter from C&C regarding Proposed Amendments to Administrative Rules dated 1/12/06. (1 page)
21. Letter from UH regarding Proposed Amendments to Administrative Rules dated 1/12/06. (1 page)
22. Letter from JUD regarding Proposed Amendments to Administrative Rules dated 1/12/06. (1 page)
23. Letter from OHA regarding Proposed Amendments to Administrative Rules dated 1/19/06. (1 page)
24. Memorandum to BOT from Administrator regarding Claims Audit dated 1/17/06. (1 page)
25. Memorandum to BOT from Administrator regarding 2006 Open Enrollment dated 1/18/06 (4 pages)
26. Memorandum to BOT from Administrator regarding Insurance Broker Procurement 2006 dated 1/18/06. (1 page)
27. Letter from SHOPO regarding Request to Use Data dated 12/20/06. (1 page)
28. EUTF Annual Report Fiscal Year 2004-05 dated 2005. (8 pages)
29. OpenLine for October-December 2005. (2 pages)
30. The High Road for December 2005. (2 pages)
31. Approved Minutes for July 9, 2003. (5 pages)
32. Approved Minutes for July 23, 2003. (3 pages)
33. Approved Minutes for September 18, 2003. (5 pages)